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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 002112

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TAGS: [PGOV](#) [CH](#)

SUBJECT: TOP LEADERSHIP DYNAMICS DRIVEN BY CONSENSUS,
INTERESTS, CONTACTS SAY

REF: A. BEIJING 2063

[1](#)B. BEIJING 2040

Classified By: Political Minister Counselor Aubrey Carlson. Reasons 1.
4 (b/d).

Summary

[1](#)1. (C) The need for consensus and the desire to protect vested interests are the main drivers of Politburo Standing Committee (PBSC) decision-making and Chinese leadership dynamics in general, according to Embassy contacts with access to leadership circles. Contacts have variously described relations at the top of China's Party-state structure as akin to those in the executive suite of a large corporation, as determined by the interplay of powerful interests, or as shaped by competition between "princelings" with family ties to party elders and "shopkeepers" who have risen through the ranks of the Party. End Summary.

Hu Jintao as Chairman of the Board?

[1](#)2. (C) Chinese Communist Party (CCP) Politburo decision-making is similar to executive decision-making in a large company, two well-connected contacts say. xxxxx that Party General Secretary Hu Jintao could be compared to the Chairman of the Board or CEO of a big corporation. xxxxx, used the same analogy in a May 18 meeting with PolOffs. xxxxx said that PBSC decision making was akin to a corporation in which the greater the stock ownership the greater the voice in decisions. "Hu Jintao holds the most stock, so his views carry the greatest weight," and so on down the hierarchy, but the PBSC did not formally vote, xxxxx. "It is a consensus system," he maintained, "in which members can exercise veto power."

[1](#)3. (C) xxxxx had told PolOff previously that he knew "on very good authority" that "major policies," such as the country's core policy on Taiwan or North Korea, had to be decided by the full 25-member Politburo. Other more specific matters, he said, were decided by the nine-member PBSC alone. Some issues were put to a formal vote, while others were merely discussed until a consensus was reached. Either way, xxxxx stated sarcastically, the Politburo was the "most democratic body in the world," the only place in China where true democracy existed. xxxxx said that although there was "something" to the notion of a rough factional balancing at the top between the Jiang Zemin-Shanghai group and the Hu-Wen group, neither group was dominant, and major issues had to be decided by consensus.

Leadership Dynamics: Driven by Vested Interests

[1](#)4. (C) xxxxx asserted to PolOff March 12 that the Party should be viewed primarily as a collection of interest groups. There was no "reform wing," xxxxx claimed. xxxxx made the same

argument in several discussions with PolOff over the past year, asserting that China's top leadership had carved up China's economic "pie," creating an ossified system in which "vested interests" drove decision-making and impeded reform as leaders maneuvered to ensure that those interests were not threatened. It was "well known," xxxxx stated, that former Premier Li Peng and his family controlled all electric power interests; PBSC member and security czar Zhou Yongkang and associates controlled the oil interests; the late former top leader Chen Yun's family controlled most of the PRC's banking sector; PBSC member and Chinese People's Political Consultative Conference Chairman Jia Qinglin was the main interest behind major Beijing real estate developments; Hu Jintao's son-in-law ran Sina.com; and Wen Jiabao's wife controlled China's precious gems sector.

¶5. (SBU) Note: In a development that could fan the "vested interest" rumor mill, China-related websites in the United States this week were reporting that a Chinese security technology company with links to Hu's eldest son, Hu Haifeng, was being investigated in Namibia on charges of corruption. A July 19 article in a Malaysian paper, cited by a U.S.-based dissident website, wenxuecity.com, reported that Hu Haifeng was a "potential witness" in the case but was not himself a suspect. The report said that the younger Hu was a former CEO of Nucotech and currently the Party Secretary of its

Beijing 00002112 002 of 002

parent company, Tsinghua Holding Co. Ltd. According to the China Digital Times website at the University of California Berkeley's China Internet Project, the Central Propaganda Department on July 21 issued orders to block any reference to the case in the PRC media. End note.

¶6. (C) xxxxx, had told PolOff earlier that leaders had close ties to powerful economic actors, especially real estate developers and corporate leaders, who in some cases were officials themselves. The same was true at the local level, xxxxx stated. He claimed that these interest networks had policy implications since most local leaders had "bought" their positions and wanted an immediate financial "return" on their investment. They always supported fast-growth policies and opposed reform efforts that might harm their interests, xxxxx. Vested interests were especially inclined to oppose media openness, he said, lest someone question the shady deals behind land transactions. As a result, the proponents of "growth first" would always be in a stronger position than those who favored controlling inflation or taking care of the poor, xxxxx.

¶7. (C) xxxxx that the central feature of leadership politics was the need to protect oneself and one's family from attack after leaving office. Thus, current leaders carefully cultivated proteges who would defend their interests once they stepped down. It was natural, xxxxx said, that someone like Xi Jinping, who maintained a non-threatening low profile and had never made enemies, would be elevated by Jiang Zemin and Zeng Qinghong. Xi would act to ensure that Jiang was not harassed or that Jiang's corrupt son would not be arrested, xxxxx.

Princelings vs. Shopkeepers

¶8. (C) xxxxx, separately described leadership alignments at the top of the CCP as shaped largely by one's "princeling" or "shopkeeper" lineage. In separate conversations in recent months, xxxxx said that some argued that China's "princelings," the sons and daughters of prominent Communist Party officials, including many who helped found the PRC, shared a perception that they, as the descendents of those who shed blood in the name of the Communist revolution, had a "right" to continue to lead China and protect the fruits of that revolution. Such a mindset could potentially place the "princelings" at odds with Party members who do not have similar pedigrees, xxxxx, such as President

Hu Jintao, Premier Wen Jiabao and Party members with a CYL background, who were derisively referred to as "shopkeepers' sons." xxxxx had heard some princeling families denounce those without revolutionary pedigrees by saying, "While my father was bleeding and dying for China, your father was selling shoelaces."
Goldberg